

ATTACHMENT B

SOUNDWALL PACKAGE 10 HIGHWAY PROJECT

Measure R and Measure M Unified Cost Management Policy Analysis

Introduction

The Measure R and Measure M Unified Cost Management Policy (the Policy) was adopted by the Metro Board of Directors in June 2018. The precursor Measure R cost management policy was adopted in March 2011. The intent of the Policy is to inform the Metro Board of Directors regarding cost increases to Measure R and Measure M funded projects and the strategies available to close a funding gap. The Soundwall Package 10 Highway Project (Project) is subject to this policy analysis.

The life of project (LOP) budget for the Project as approved by the Board is \$50,862,000. The Project is subject to the Policy analysis now due to a proposed \$21,682,694 increase to the LOP budget. Funding for the cost increase is needed through FY 2027. This analysis recommends trade-offs required by the Policy to identify cost reductions or the funds necessary to meet the cost increase.

Measure R and Measure M Unified Cost Management Policy Summary

The adopted Policy stipulates the following: If a project cost increase occurs, the Metro Board of Directors must approve a plan of action to address the issue prior to taking any action necessary to permit the project to move to the next milestone. Increases will be measured against subsequent actions on cost estimates taken by the Metro Board of Directors, including the determination of the budget. Shortfalls will first be addressed at the project level prior to evaluation for any additional resources using these methods in this order as appropriate:

- 1) Scope reductions;
- 2) New local agency funding resources;
- 3) Value engineering;
- 4) Other cost reductions within the same transit or highway corridor;
- 5) Other cost reductions within the same subregion; and finally,
- 6) Countywide transit or highway cost reductions or other funds will be sought using pre-established priorities.

1) Scope Reductions

The Project received Ready to List (RTL) from Caltrans in July 2021 and was allocation \$48.6M in Highway Infrastructure Program (HIP) Funding with the current scope. Any scope reductions could jeopardize the Funds allocated and could delay the schedule. Because of this, we recommend moving to the next step.

2) New Local Agency Funding Resources

Local funding resources (i.e., specific to the affected corridor or subregion) are considered in the next step as opposed to countywide or regional sources so as not to impact the funding of other Metro Board-approved projects and programs or subregions in the County.

3) Value Engineering

The Project received bids on August 30th 2022 and are anticipated to award a Design/Bid/Build contract with a FY 2026 estimated completion for the construction contract, with plant establishment and project closeout completing in FY 2027. Any value engineering would require negotiation and agreement with the contractor that could delay the schedule. Because of this, we recommend moving to the next step.

4) Other Cost Reductions within the Same Transit or Highway Corridor, or within the Same Sub-region; 5) Countywide Cost Reductions and/or Other Funds

The Project received \$48,649,000 of HIP grant funding in September 2021 that is sufficient to pay for the increase to the LOP budget. Other cost reductions or other funds are not needed to address the Project cost increase.

Recommendation

The LOP, if approved, would increase by \$21,682,694. However, Metro received federal funding through the HIP of \$48,649,000 that is sufficient to pay for the LOP increase without offsetting cost reductions or other funding. No additional action is recommended to address the cost increase.